



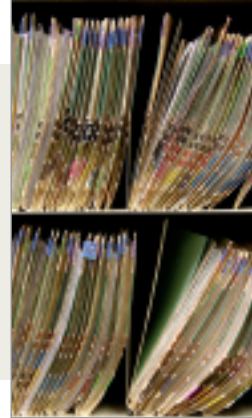
Why Komen's
Roots Are
Still Strong
in Texas

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Falling Dollar
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Stimulus May
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FISCAL NOTES

A Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, December 2009/January 2010

NOVEMBER REVENUE (IN MILLIONS): SALES TAX: \$1,701.6 OIL PRODUCTION: \$85.9 NATURAL GAS: \$12.8 MOTOR FUELS: \$250.9 MOTOR VEHICLE SALES: \$186.6 TOBACCO: \$129.1

Around Texas

- The Texas Workforce Commission announced that the state added 17,300 jobs in November 2009.
- The Department of Defense has awarded San Antonio's Valero Marketing & Supply Co., a subsidiary of Valero Energy Corp., a contract worth up to \$118 million to supply aviation fuel to the department's Foreign Military Sales program.
- Round Rock's Dell Inc. reported its third-quarter 2009 profits were down 54 percent compared with the same period in 2008.
- In November, the University of Texas at Austin announced its researchers had received 123 federal stimulus grants worth nearly \$56 million.

TEXAS AGAINST CANCER



TOP SCIENTISTS VIE FOR RESEARCH DOLLARS

In 2007, cancer cost nearly 37,000 Texans their lives — and drained almost \$22 billion from the state economy. That was the year when Texans said “enough is enough.”

In November 2007, Texas voters authorized the Legislature to issue up to \$3 billion in bonds by 2019 to support cancer researchers fighting the disease. The first installment of this war chest, \$450 million, will be spent in fiscal 2010 and 2011.

This new phase in the battle against cancer begins in early 2010, with the award of the first round of research grants.

GOALS FOR GRANTS

The 2007 Legislature also created a new state agency, the Cancer Prevention and Research Institute of Texas (CPRIT), to administer this new funding and select grant recipients.

CONTINUED ON PAGE 6

A Letter from the Comptroller

Here I am five years ago at the Marathon2Marathon, doing my interpretation of *Chariots of Fire* minus the beach. Actually, I think the photographer captured the last moment that “running” and “Combs” were used in the same sentence. Nowadays, I am more of a walker.

Texans love to support their causes with fun runs and walkathons.

In this issue of *Fiscal Notes*, we put the spotlight on the Dallas-based Susan G. Komen for the Cure organization. It has made Race for the Cure and the color pink ubiquitous in the fight against breast cancer. More importantly, since 1982 the Komen organization has invested \$1.5 billion in cancer research and education, and is committed to contributing an additional \$2 billion by 2017.

The state of Texas is also at a starting line of sorts.

In a few weeks, the first grants will be awarded from new cancer funding approved by the state’s voters in 2007. I really believe Texas has nailed the selection process to ensure that the most promising research gets funded.

Texas is already a leader in cancer research, but this unprecedented effort will bring the state to another level. Read all about it here.

On other fronts, Texas has a large stake in the airline industry, and in the value of the American dollar. We look at how the airline industry is coping with the turbulence of the national recession — and how that affects the business traveler.

Finally, Michael W. Brandl, a senior lecturer at the University of Texas at Austin, shares his insights into the falling dollar and the opportunities it may present for Texas.



Photo by Mariya Hersey, courtesy of The Big Bend Gazette

Racing for the Cure

Texas charity leads fight against breast cancer

In 1980, a woman named Nancy Goodman Brinker made a promise to her dying sister — and changed history.

The promise was to take up the fight against the breast cancer that took Susan Komen's life. And she kept her promise in spectacular fashion.

Since Brinker founded it in 1982, the Dallas-based Susan G. Komen for the Cure has become a world leader in the fight against the disease, raising and investing \$1.5 billion for breast cancer research and education. The organization has committed itself to investing an additional \$2 billion by 2017 to help eradicate the disease.

At the heart of the organization's awareness building and fundraising efforts are its Race for the Cure events, charity races that attract more than 1.5 million participants annually.

STEPS ACROSS TEXAS

Texas is home to 13 Susan G. Komen affiliate offices, including Houston's, the world's largest. Their Race for the Cure events raise millions of dollars annually, with at least 75 percent of the net income spent in their own service areas.

In 2008, the Dallas affiliate's Race for the Cure and other events raised more than \$2 million, \$1.8 million of which was used to provide screening, treatment and educational programs to the underserved population in Dallas County. The Dallas Race, which began in 1983 with 800 participants, has grown to 25,000 runners annually.

The Houston Komen affiliate serves a seven-county area and is on track to

Runners line up for the 2009 Texarkana Race for the Cure.

Susan G. Komen for the Cure is a world leader in the fight against cancer.

award \$3 million in grants in 2009. Since its inception in 1990, it has provided more than \$19 grants in its area. Its race attracts more than 30,000 runners each year.

When Texarkana's affiliate opened in 1998, it was the smallest city approved as a race site. But the event has grown steadily, from 3,300 participants in 1998 to 8,200 in 2008.

"Our focus on race day is making it about the survivors," says Terrie Arnold, executive director for the Texarkana Komen affiliate. The proceeds go in part to a program at the University of Arkansas for Medical Sciences that provides mammograms for uninsured and underinsured women.

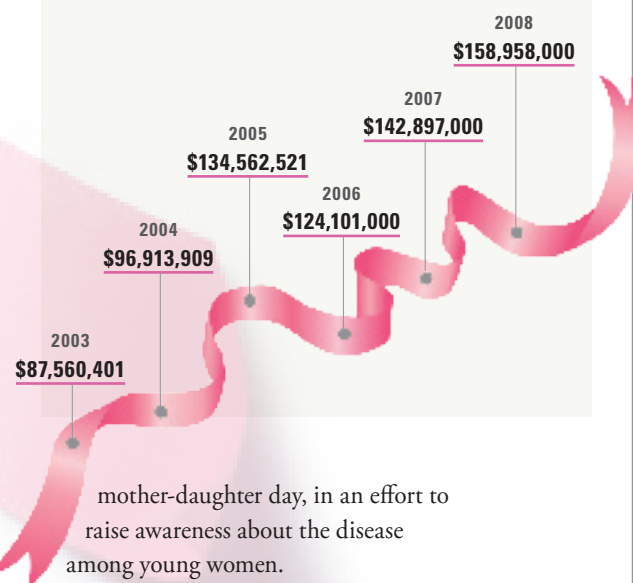
In 2009, Texarkana's affiliate has raised about \$400,000, down by \$22,000 from the previous year, for breast cancer education and screening programs. Arnold says the economic slump has hurt some area businesses that support the charity.

In addition to the race, the Texarkana affiliate supports a local Girl Scouts

RACE FOR DOLLARS

One hundred-thirty Susan G. Komen affiliate offices around the world hold Race for the Cure events each year. Three-quarters of the revenue raised remains in the community the affiliate serves. The races generated nearly \$745 million between 2003 and 2008.

RACE FOR THE CURE REVENUES



mother-daughter day, in an effort to raise awareness about the disease among young women.

"More and more people are being touched by breast cancer," Arnold says. **FN**

For more information on Susan G. Komen for the Cure, visit www.komen.org.



Photo courtesy of Komen Texarkana Race for the Cure.

State of the Dollar

In recent months, the U.S. dollar has taken a pounding in international markets, losing value against most major foreign currencies and prompting speculation that other nations may abandon the use of the dollar as a “reserve currency.”

To get an idea of what this trend may mean for the state and the nation, *Fiscal Notes* spoke with Dr. Michael W. Brandl, senior lecturer in Economics and Finance at the University of Texas at Austin McCombs School of Business.

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FN: To go to the heart of the matter: Why is the dollar falling? And do you expect the drop to continue?

BRANDL: Last question first — the dollar is probably going to continue falling in value.

When you have a current-accounts deficit — when you’re importing more than you’re exporting — the value of your currency *should* fall. It hasn’t, over the last 20 years or so, in part because there have been deliberate efforts to prop up the value of the dollar. The last three presidential administrations followed a strong-dollar policy. They continued to intervene in the market and prop up the dollar.



Dr. Michael W. Brandl
Senior Lecturer in Economics and Finance,
the University of Texas at Austin
McCombs School of Business

“Markets ultimately punish bad behavior. It’s what they do.”

— Michael W. Brandl,
McCombs School of Business

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FN: Presumably, a strong dollar helped at least some aspects of the economy.

BRANDL: Well, a strong currency means you can buy labor cheaply in foreign markets. It’s one of the things that led to so much outsourcing by American companies.

It’s not so good if you’re an exporter, though, and that’s one reason why U.S. manufacturing has taken it on the chin. Arguably, the strong-dollar policy contributed to the current financial crisis.

So there’s a need for readjustment. And when we get our currency’s value back into balance in global markets, yes, some will suffer, certain industries, certain firms, but others will benefit.

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FN: So who’s likely to suffer?

BRANDL: Firms that thought the route to great profits was simply chasing low wages and low-cost providers. When the value of currency drops, those cheap foreign suppliers become expensive.

We have to realize that huge parts of the American management model are dead. The obsession with short-term earnings and stock price, the idea that you can continue to wring greater productivity from technical and “knowledge” workers, and use the increased profitability to pay executives and shareholders — that model is dying. That obsession with short-term profitability, and our failure to evaluate risk correctly, is how we got into this global financial crisis.

But Texas can benefit from a weaker dollar, because of exporting. And if the dollar falls against the currencies of Latin America, we’ll see more shoppers coming

Weathering the Storm



A SERIES OF REPORTS ON THE TEXAS ECONOMIC CLIMATE

BY BRUCE WRIGHT

to shop in Texas. Many of the Latin American economies are doing very well because they’re selling raw materials to Asia, to India and China.

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FN: Could a weaker dollar help revive U.S. manufacturing?

BRANDL: It certainly creates an opportunity. The problem is that a lot of our manufacturing firms are overleveraged — they’ve got too much debt. That will create some great buying opportunities.

As the dollar falls, it will be much cheaper for foreign firms to come in and buy up overleveraged and badly run firms. I think you’ll see European companies gobbling up some of our companies if the euro continues to appreciate against the dollar.

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FN: Can we expect a significant increase in foreign investment, then?

BRANDL: I think that other nations are going to realize that we have an American entrepreneurial spirit, a productivity advantage and technological advancements. They’ll understand these opportunities. You put that together with a weakening dollar, and European

managers will figure out that their approach to management could be a great way to attract high-quality American workers, especially the engineers. It's a winning combination for them.

And it would be very good for us. If we could learn from other nations, and learn why our way of doing things has gone awry, and how to fix it — I mean, let's not just put Humpty Dumpty back together again. Let's learn from our mistakes.

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FN: And do you see any sign that U.S. companies are learning?

BRANDL: Not yet. We've had it so ingrained that it's all about stock price. You've got to manage your earnings, and worry about what Wall Street will say about your quarterly numbers. But it's okay — markets ultimately punish bad behavior. It's what they do. That's the beautiful thing about markets.

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FN: A lot of people are worried that the cheaper dollar could lead to inflation.

BRANDL: I think they're right to be worried about it. The best way for a government to get out of a high level of debt is inflation. The trouble is, that's cutting off your nose to spite your face. It leads to other, massive problems.

In the short term, though, we're not seeing much in the way of inflationary pressures. Long-term bond yields aren't going up, for instance.

ON THE WEB

To read Brandl's thoughts on the future of the dollar as a "reserve currency," read the expanded Web version of this story in its entirety at www.fiscalnotes.com, where you can also read past articles from the Weathering the Storm series.

FN: But what about the extraordinary amounts of money the federal government has printed to cope with the financial crisis? *Forbes* recently noted that the money supply rose by something like \$523 billion over the year ending last September.

BRANDL: True enough. We've had massive injections of liquidity by the Fed. They've never done this at this level before.

The thing is, though, there are these huge reserves sitting in the banking system. And if the banks start lending that money quickly and freely, there'd be a real potential for inflation. But the banks aren't lending money. So the vast increase in the money supply hasn't resulted in much spending. It's a trickle.

And that's why we haven't seen a run-up in inflation. But if they start, and the credit flows freely again, we could be in for a real mess.

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FN: And how do we head that off?

BRANDL: The Fed will have to mop up all this excess liquidity they've created. The question is, can they do that? Can they reduce the money supply fast enough so that they don't create inflation, but not so fast that it pushes us back into a pretty bad recession? The problem is, history is no guide any more. Nobody knows.

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FN: What about the effect of the budget deficit?

BRANDL: When you have a government that runs big budget deficits, they have to borrow the money from somewhere — from the domestic financial markets or from the rest of the world. And when the government borrows this money, it means there's less for American households and companies to borrow. The cost of capital goes up for them, and then the economy suffers.

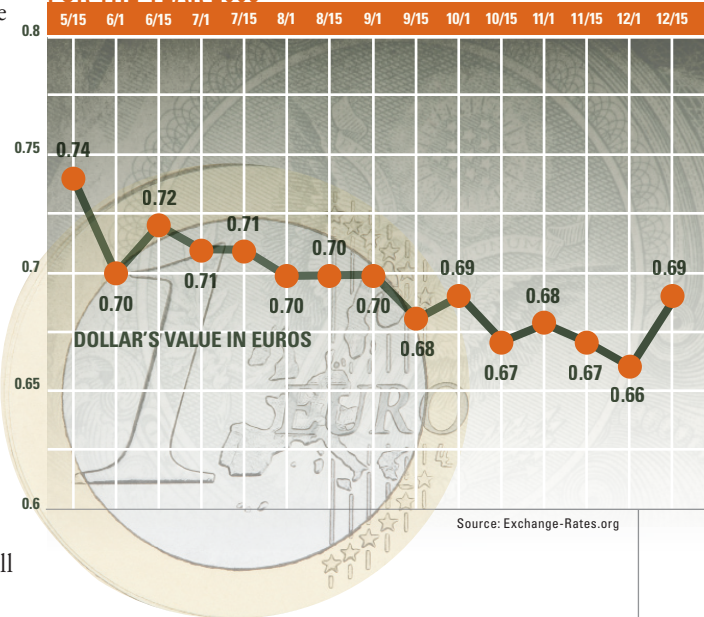
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FN: So you don't see anything particularly apocalyptic about the move away from the dollar.

THE DOLLAR DESCENDS

Since May 2009, the U.S. dollar has lost about 7.0 percent of its value against the European Community's euro.

FOR THE YEAR 2009



BRANDL: From the U.S. perspective, there are good and bad aspects to losing reserve status. There would be less of a demand for dollars in the foreign exchange market, which would, again, lower their value. But ultimately, it's probably a good thing if the rest of the world doesn't keep looking to us to ensure the stability of world markets.

Right now, when the Fed is thinking about policy, changing interest rates or whatever, they can't just look at the U.S. — they've got to be concerned about the effects on the rest of the world, because we're the engine that pulls the rest of the world along. Why do we want or need that burden? Can't the Europeans or the Japanese step up? **FN**

For more information on the dollar and foreign currency markets, visit the Federal Reserve Bank of New York at www.ny.frb.org/education/fx.

Texas Against Cancer



Applicants have to convince a panel of distinguished scientists of their work's value.

Application grants, will be awarded to help bring cancer-fighting treatments to market.

A second wave of research grants will support multiple-investigator research projects, Gilman says. The application period for these grants will close March 1, 2010.

CPRIT funding also will be available to help attract world-class scientists to Texas.

"One of CPRIT's most important missions is to recruit really top-notch scientists to the state," says Gilman. "That will bring more grants, create jobs and help grow a biotechnology industry."

Gilman says cancer research funding is money well spent, pointing to improved cancer survival and cure rates.

"When I started in my medical and scientific career, if kids developed acute leukemia, most of them died," he says. "Now 80 to 90 percent of them get cured."

FOREFRONT OF THE FIGHT

CPRIT's grants will substantially increase the amount of funding available for cancer research in Texas. The largest current pool of Texas cancer research funding — about \$200 million annually — comes from the National Cancer Institute (NCI).

"CPRIT will fund more cancer research in Texas than NCI," Gilman says.

And Texas is already home to the nation's largest collective recipients of federal cancer funding, the physicians and scientists of the University of Texas M.D. Anderson Cancer Center.

"We spend in excess of \$400 million per year on research," says Wesley Harrott, M.D. Anderson's executive director of research administration. "Because of the growing focus on research in the past 15 years, it has grown exponentially. Before that, M.D. Anderson was more focused on treatment and clinical activities."

In 2008, M.D. Anderson received \$113 million from NCI, more than half of the institute's total allocation to Texas. Its researchers and affiliates submitted more

CONTINUED FROM PAGE 1

The bulk of funded grants will go to researchers identifying the causes of cancer and devising treatments. About \$22 million annually will be reserved for prevention programs (see sidebar). A special funding stream called High Impact/High Risk (HIHR) grants will support innovative and exploratory projects.

All funding applicants will have to convince a panel of distinguished scientists of their work's value, says

CPRIT Chief Scientific Officer Dr. Alfred Gilman, a Nobel prizewinner.

Initial funding requests submitted to CPRIT are for Individual Investigator (II) research awards of up to \$1 million annually for four years, and for HIHR grants of up to \$200,000 over two years. A third category, Commercial



Dr. Alfred Gilman
Chief Scientific Officer,
CPRIT

Spreading the Money Around

Institutions throughout Texas have applied for first-round grants from the Cancer Prevention and Research Institute of Texas (CPRIT).

RESEARCH APPLICATIONS SUBMITTED TO CPRIT IN 2009

CPRIT grants will greatly increase cancer research funding in Texas.

than a third of all funding applications received for the first round of II, HIHR and Commercial Application awards.

The advent of new funding is very significant for Texas cancer researchers, Gilman and Harrott agree.

"There are so many aspects to cancer," says Harrott. "You take those cell lines or that cancer, and you start doing research and try to identify what is driving it, what is causing it to activate. There are so many trials and errors in that process. It takes a lot of research effort to identify the root cause.

"That's really the thing about the funding that is so important — there is a pent-up demand for funds," he says. "There's more knowledge and more things to research and not funds available."

PICKING WINNERS

At the end of the initial application period in October, CPRIT had received 767 applications for II grants, 114 for HIHR funding and 93 for Commercial Application grants.

Under CPRIT rules, individual researchers can apply for only one grant in each category. According to Harrott, the rule forced M.D. Anderson to choose among more than 600 suggested II applications from its faculty, finally selecting 301 as the strongest and most deserving.

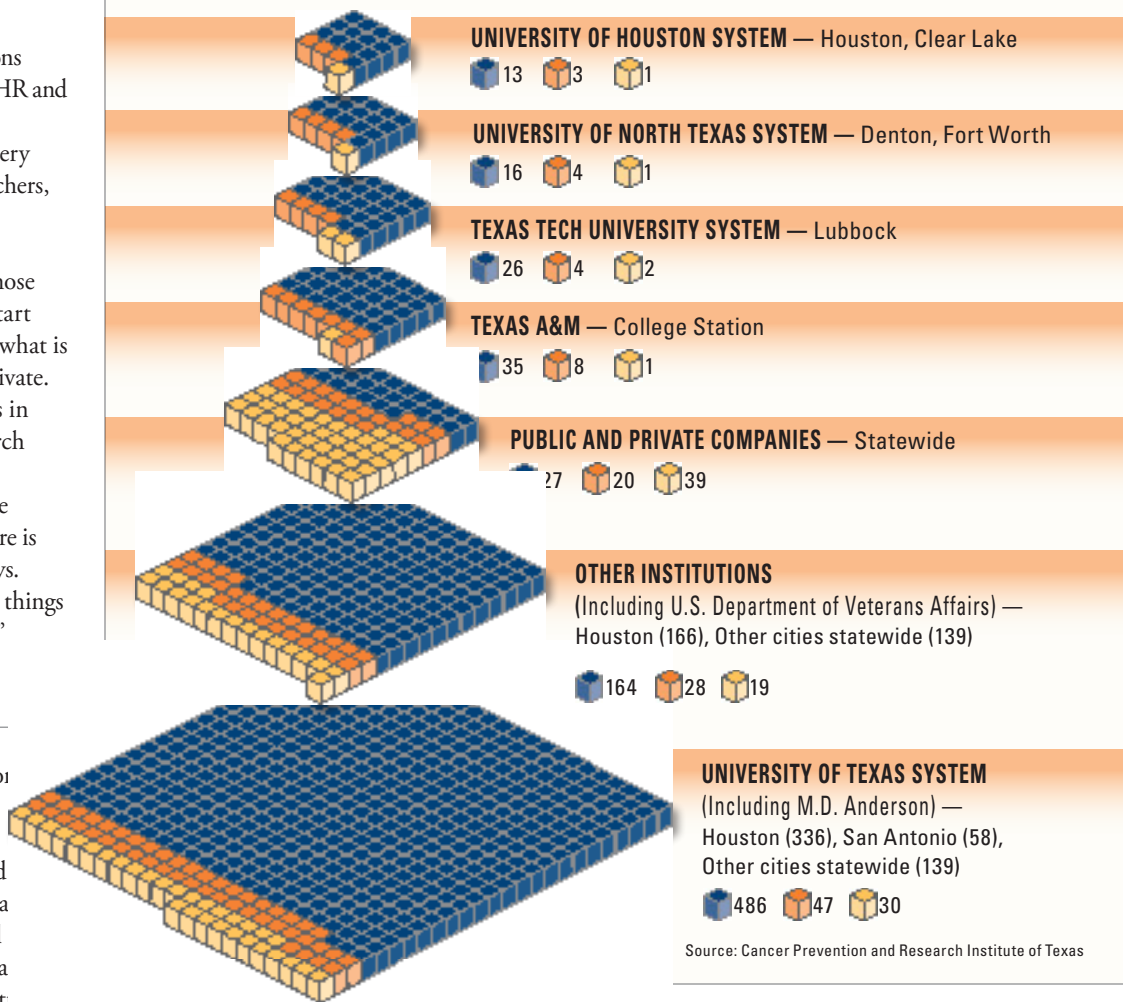
"The institution has been looking forward to this. We've been having meetings on this for a year and a half," Harrott says.

DR. BECKY GARCIA, chief prevention officer for the Cancer Prevention and Research Institute of Texas, speaks on grants for cancer prevention at www.fiscalnotes.com.

 **Individual Investigator** research awards of up to \$1 million annually for four years.

 **High Impact/High Risk** Research Awards of up to \$200,000 annually for two years.

 **Grants for Commercial Applications.**



Competition for HIHR funding was even stiffer.

"We had 300 separate entries for the HIHR," Harrott says. In the end, M.D. Anderson could submit only 20.

Seven committees selected for their expertise in different specialties will weigh the applications, says Gilman. The reviewers, all of them chosen from outside Texas, will debate their merits under the moderation of Nobel prizewinner and former MIT Cancer Center Chairman Dr. Philip Sharp.

After M.D. Anderson, Houston's Baylor College of Medicine submitted the

second-largest number of applications, at 142, while UT Southwestern Medical Center researchers in Dallas are seeking 83 grants.

The submitted applications "represent the full spectrum" of cancer research, says Gilman.

About a quarter of the applications are for clinical and experimental therapeutics, with a similar share for cell biology. About 23 percent are split between the fields of pathobiology and genetics and molecular biology. Almost a tenth of the applications are for research into cancer detection and diagnosis.

CONTINUED ON PAGE 11

Health Care: On the Record



Can Texas take the lead in electronic medical records?

a chance to take the leadership,” he says. “It will take time, money, people and organization. But if we sit back, we will be at the mercy of what others decide.

“We are at a critical time,” says Schneider, who also serves as president and chief medical information officer for the Baylor Health Care System. “It’s kind of like the beginning of the space age. Houston got Mission Control and NASA and became the center of the space program. We have a similar opportunity now to do that in HIT.”

YOUR HEALTH, DIGITIZED

Health information technology (HIT) is an umbrella term for an alphabet soup of electronic record-keeping systems, ranging from accounting to prescription drug tracking to employment and personal medical history. The systems directly affected by the stimulus incentives are electronic medical record (EMR) and electronic health record (EHR) programs.

According to the National Alliance for Health Information Technology, EMRs are electronic systems that collect and manage patient information for use by doctors and other medical staff within a single office or organization. EHRs, by contrast, are aggregated electronic records of health-related information that can be collected and used *across* multiple organizations. Thus EHRs can tap into multiple medical records to build a more comprehensive view of a patient’s medical history.

Proponents of both cite a variety of benefits from a nationwide EHR system, including significant cost-cutting and time-saving as well as improved data collection, better patient outcomes and the avoidance

of medical errors such as harmful drug interactions.

HOW TEXAS COMPARES

No reliable statistics compare Texas with the nation on adoption rates for EMR/EHR systems. What data are available, however, indicate the state is lagging but open for wider adoption.

An assessment of health information technology readiness as of December 2008 by BioCrossroads, an initiative promoting the life sciences in Indiana, divided the states into four categories of HIT adoption — formational, foundational, implementation and operational. Texas fell into the foundational category; 19 states were rated in the two groups ahead of Texas, “implementation” and “operational.”

“Texas is probably no worse than average,” says Cathy Huddle, vice president for market development for San Antonio-based Sevocity, a medical records technology firm. “One of the things we have not seen in Texas but have seen in other states is a statewide initiative.”

Indiana, one of five states deemed “operational,” began a push toward electronic record-keeping in the 1990s, forming a coalition of government and physician groups to coordinate its implementation.

“It’s a market-by-market battle,” says Dr. Marc Overhage, president and CEO of the Indiana Health Information Exchange. “It’s not just something you plunk down in the state. It’s about building trust, building relationships and overcoming those thousands of little details that can become barriers.”

A November 2007 Texas Medical Association survey indicated that 33 percent of the



Dr. Joseph H. Schneider
Chairman,
Texas Medical
Association ad hoc
Committee on Health
Information Technology

Medical records have become a big business — and a multi-billion-dollar political issue.

The recent federal stimulus act set aside up to \$19 billion to encourage health care professionals to adopt electronic record-keeping. Texas physicians and hospitals are scrambling to get their share.

It’s a race Texas isn’t winning — or losing. Not yet.

According to Dr. Joseph H. Schneider, chairman of the Texas Medical Association’s ad hoc Committee on Health Information Technology, Texas could become a national leader in health information technology (HIT). The stimulus incentives, coupled with new state initiatives and Texas’ large number of medical technology firms, make the state fertile ground for growth.

“If Texas is bold and smart, we have

state's physicians use EMR — though Schneider says the number of doctors truly using a “fully functional” EMR system is probably in single-digits — and 25 percent said they had no plans for implementing one. Almost two-thirds of the latter said that, without financial assistance, the cost would be prohibitive.

CARROTS AND STICKS

Enter the American Recovery and Reinvestment Act (ARRA). To encourage the wider adoption of HIT as part of a broader health reform agenda, ARRA sets aside \$19 billion to provide incentives for the adoption of electronic systems — and, later, will impose fines on those who fail to do so.

The stimulus bill would begin incentive payments in 2011 of up to \$44,000 over six years from Medicare funds, or \$67,350 from Medicaid, to physicians who make “meaningful use” of EMRs. The Medicare incentives are available to small practices, while the Medicaid perks are targeted for physicians who serve substantial numbers of Medicaid patients.

Penalties of up to 5 percent of Medicare reimbursements would be levied on physicians who don't make “meaningful use,” beginning in 2015. At this writing, federal officials had postponed defining meaningful use until April 2010.

The federal incentives underline the fact that money is the biggest hurdle to the widespread adoption of HIT. The state has a higher share of single-physician practices (43 percent) than the national average (34 percent), according to TMA's survey. Due to their cost, single-doctor and small group practices face the most formidable obstacles in implementing electronic record systems.

And these practices often serve a relatively small percentage of Medicare patients, which means that neither the incentives nor the penalties in ARRA will mean much to them.

“Many physicians will not see the benefit, either because they see a limited number of Medicare/Medicaid patients, or because it just is not [financially] feasible,” Schneider says. “It would be very beneficial if private commercial payers were to step up and provide adoption incentives that closely align with the federal incentives.”

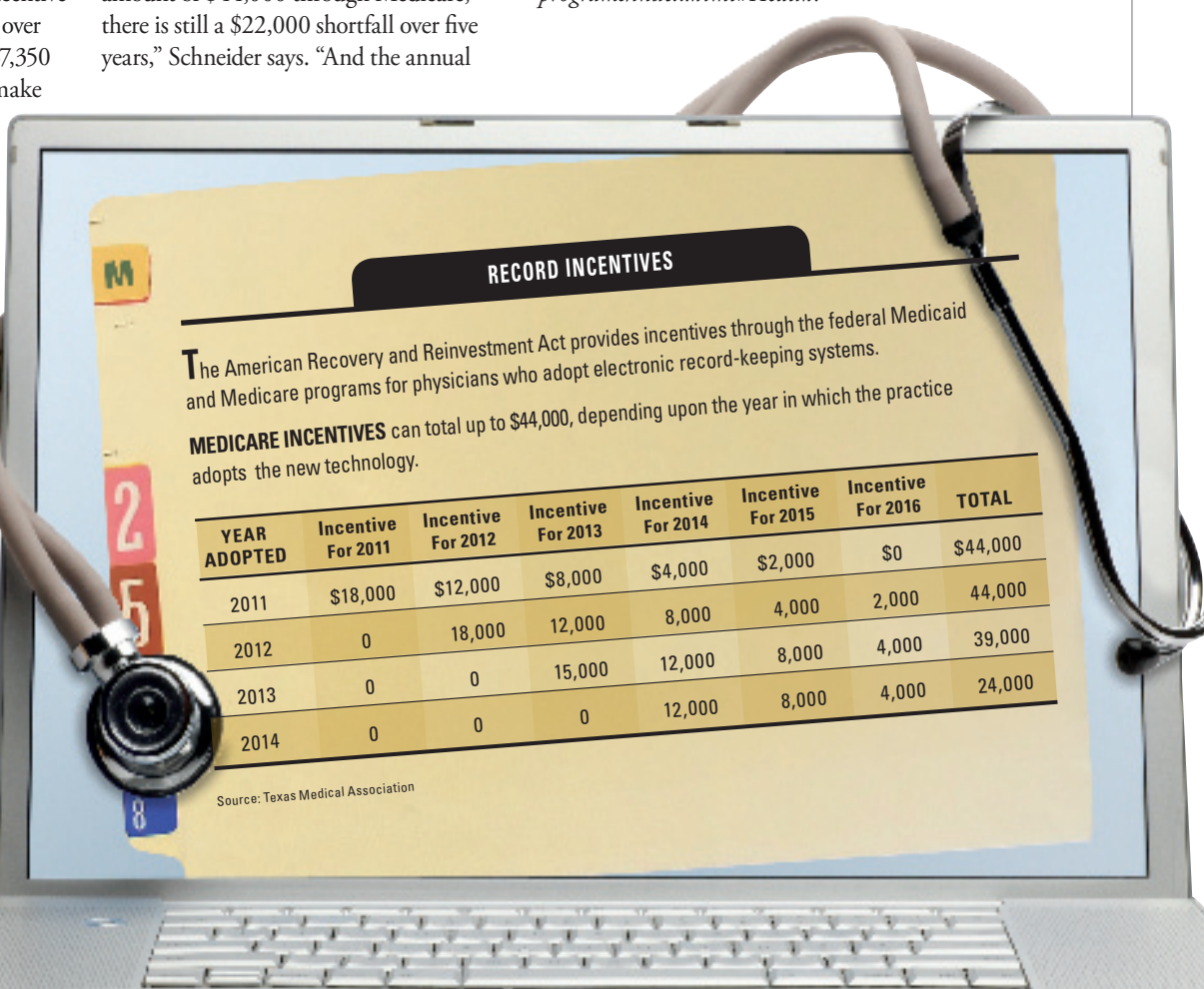
Even physicians who are positioned to benefit from the ARRA incentives may not receive enough help from them to cover the costs of an electronic record system.

“Some studies indicate that even if a physician is eligible for the maximum amount of \$44,000 through Medicare, there is still a \$22,000 shortfall over five years,” Schneider says. “And the annual

licensing fees can be about 20 percent [of the purchase price], so there are ongoing costs that continue long after the incentives are over.”

To further assist Texas doctors with the move to HIT systems, the TMA is collaborating with state university systems and the Dallas-Fort Worth Hospital Council to establish a series of HIT Regional Extension Centers that will primarily aid small or single-physician practices in establishing and running EMR systems. Funding is expected to come through in early 2010 and the centers should be up and running by summer, Schneider says. **FN**

For more information on the federal stimulus program for health information technology, visit www.hhs.gov/recovery/programs/index.html#Health.



Texas Airlines in a Down Economy

BOARDING PASS

Flight line becomes a tight line

BOARDING PASS

Since the 1950s, air travel has been deeply embedded in the American way of life. Formerly considered a luxury, today it plays a major role in moving the world's travelers, cargo and economies.

But the current economic climate has hit the travel industry hard. Business travel is down and families are vacationing closer to home. And Texas airlines are feeling it.

ROUGH SKIES

While conditions are particularly bad at present, the financial condition of most airlines has been bleak for years. The industry has been losing revenue since the 2001 terrorist attacks, with skyrocketing fuel costs and the general recession further hindering revenue.

"The economy has had a significant impact on all businesses, including the airline industry," says Southwest Airlines' Christi Day. "Fewer people are flying. Travel budgets are often one of the first items cut to save company money."

In the first half of 2009, airlines lost about \$6 billion, according to the International Air Transport Association (IATA), a Geneva-based industry group representing more than 200 airlines worldwide. IATA expected that figure to exceed \$9 billion by year's end.

The U.S. Bureau of Transportation Statistics reports that U.S. passenger airlines employed about 5.1 percent fewer workers in September 2009 than in

September 2008, in the 15th consecutive month of year-over-year losses in employment.

In November, U.S.

Transportation Secretary Ray LaHood said he will create a special panel to help identify solutions to the airline industry's financial problems.

TEXAS AIR

Texas is home to three of the nation's largest airlines — American, Southwest and Continental (see "Corporate Giants" in June/July 2009 *Fiscal Notes*). All three make important contributions to the Texas economy. American alone has about 25,000 employees in Texas.

When a business operation works at the scale of a Southwest Airlines,

which oversees 35,000 employees and more than 3,000 daily flights, staying competitive can be a daunting challenge. Maintaining customer satisfaction while protecting revenues — or at least minimizing losses — has become a delicate tightrope act for the airline industry.

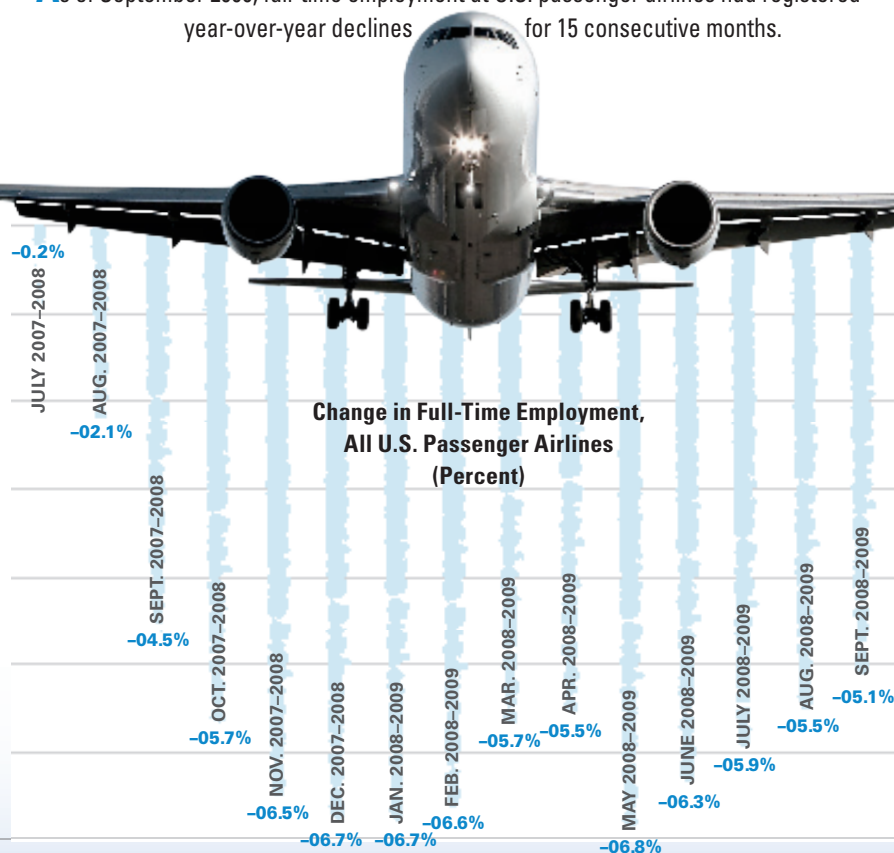
A recent survey by Sabre Holdings, a Texas-based company specializing in travel reservations technology, found that 86 percent of 90 airlines surveyed said that customer loyalty had the most influence on their bottom lines.

Many travelers, especially business travelers, have been put off by recent fare increases and fees, perhaps the most controversial being new fees for checked baggage, some of which run up to \$50 per bag depending on destination.

Southwest has been touting a "Bags

UNFRIENDLY SKIES — FOR JOBS, ANYWAY

As of September 2009, full-time employment at U.S. passenger airlines had registered year-over-year declines for 15 consecutive months.



Texas Against Cancer

CONTINUED FROM PAGE 7

Gilman says he anticipates that 30 to 50 Individual Investigator applications will be funded in this first year of grants.

MORE PATIENTS, BETTER CARE

M.D. Anderson's stature as a cancer center draws people from around the world, a factor that should assist Texas' new research efforts.

"We're a leader in clinical trial activity," Harrott says. "That's one of the reasons people want to come to M.D. Anderson, for the latest technology and the latest knowledge. Folks want to be there because of the nature of the trials."

This large pool of patients will make it easier for researchers to prepare and conduct trials of experimental treatments.

"We're targeting a few things we'd really like to do, including a statewide clinical trials network," Gilman says. "A statewide network could link patients and doctors, and you'd be bringing the latest and newest treatments throughout the state. They'd not just be available at the biggest cancer centers."

"Clinical trials could be conducted much more rapidly," he says. "One of the problems is finding the patients, even with common forms of cancer." And participation can benefit the patients as well as science.

"We know people who are in clinical trials are getting better care than those who are not," Gilman says. **FN**

For information about research grant opportunities available through the Cancer Prevention and Research Institute of Texas, visit www.cprit.state.tx.us/funding.html. The Texas Department of State Health Services maintains a detailed database of cancer statistics at www.dshs.state.tx.us/tcr/data.shtm.

Fly Free" program with some success. The program allows flyers to check up to two bags without additional fees. In October 2009, the carrier filled slightly more than 79 percent of its seats, the best October "load factor" in the company's history.

American also saw better load factors, filling 83 percent of its seats in October, up from 79 percent in October 2008. In September, American and American Eagle parent-company AMR announced a plan to decrease flight offerings to less profitable destinations and to reallocate flights to hubs in Dallas/Fort Worth, Chicago, Miami and New York, areas the company has identified as the cornerstones of its flight network.

Such cost-cutting moves, while necessary to boost profitability, can often have a significant impact on travelers, especially those who fly for business. Earlier this year, for example, American ended its direct flights from Austin to San Jose, flights affectionately called "nerd birds" due to their connection to two popular high-tech markets.

CUTTING LOSSES

Even Southwest, an airline with a proven knack for optimizing its revenue through a no-frills approach and non-traditional practices such as open boarding, hasn't been immune to the current economic climate. But the company's third-quarter losses for 2009 narrowed from a year earlier, largely due to cost-cutting initiatives. The carrier reported a net loss of about \$16 million for the quarter, compared with a \$120 million loss for the same period in 2008.

Fort Worth-based AMR Corp., which operates American Airlines and American Eagle, reports that in October, Eagle passengers flew 680.1 million miles, up from 641.8 million miles during the same period in 2008.

Traffic at American fell by 2.6 percent in the same time period.

American reported third-quarter 2009 revenues of about \$5.1 billion, down more than 20 percent from the same quarter of last year. The company points to reduced capacity and reduced demand for air travel and cargo due to the economic downturn.

Houston-based Continental reported a third quarter loss of \$18 million, compared to a \$230 million loss for the same period in 2008.

Many travelers,
especially business travelers,
have been put off
by recent fare increases
and fees.

Still, Texas airline officials are continuing to lean on basic principles of customer satisfaction to see them through economic challenges.

"This past year, despite the economy, we've actually added four new destinations," Day says. "We've introduced our pet program, PAWS, a new mobile Web site and several other products. Customers can expect full flights, but also hospitality."

"Our employees have worked incredibly hard to lower costs and work more efficiently," she says. "We consider our company a cause." **FN**

To view in-depth airline industry statistics and analyses, visit the U.S. Bureau of Transportation Statistics online at www.bts.gov.

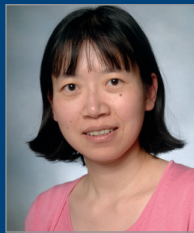
Brief Bytes



FIGHTING FLU FROM THE INSIDE OUT

Scientists from Rice University and the University of Texas at Austin have won \$1.5 million in stimulus funding from the National Institutes of Health to study the structure of influenza A virus, which includes the H1N1 and bird flu strains.

Under the four-year program, scientists will study the virus to help develop more effective antiviral drugs. Led by Rice University's Jane Tao, biochemists will investigate the form and function of nucleoprotein, one of fewer than a dozen proteins encoded by the flu virus. All varieties of influenza A contain variants of eight genes encoded in RNA. When flu particles join



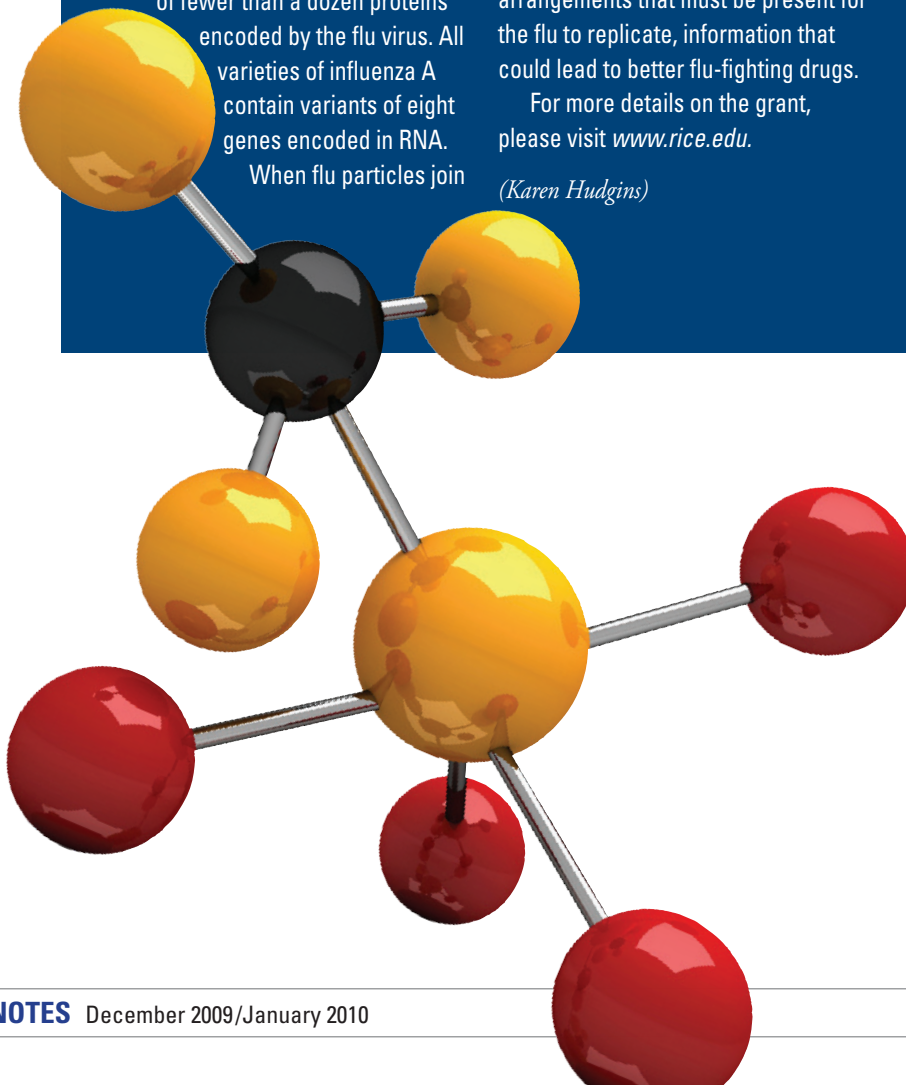
Jane Tao
biochemist
Rice University

with healthy cells, they inject their genetic payload into the cell, hijacking the cell's machinery to make copies of themselves. Based on previous research, including a 2006 report by Tao and UT scientist Robert Krug, scientists have learned the flu can replicate only when all eight genes are packaged in a particular way.

Tao and Krug's teams will use several techniques to obtain the first three-dimensional structure of the nucleoprotein complex. They will try to decipher the order and arrangements that must be present for the flu to replicate, information that could lead to better flu-fighting drugs.

For more details on the grant, please visit www.rice.edu.

(Karen Hudgins)



MATH, SCIENCE ACADEMIES MULTIPLY

Under a proposal announced recently by Texas Governor Rick Perry, Texas would greatly expand the T-STEM (Texas Science, Technology, Engineering and Math) academies initiative that has been preparing young Texans for careers in these critical fields since 2005.

The governor's plans call for doubling the number of T-STEM academies to 92, which would create additional opportunities in the area of biomedicine and professional development to improve T-STEM education. In addition, the governor has recommended \$100 million for scholarships that would help increase the numbers of graduates in the T-STEM disciplines.

(David Bloom)



TOURISTS REMEMBER THE ALAMO

Americans haven't forgotten the Alamo, and they still love strolling along the Riverwalk. That's the conclusion of a recent study authored by two Trinity University economics professors, which showed the economic impact of the River City's hospitality sector grew to \$11 billion in 2008.

Travel and tourism remains a vital cog in San Antonio's economy, employing more than 106,000 workers and generating \$285 million for the region's local governments.

(David Bloom)



DFW SEES LESS LEASES

Leasing activity in the Dallas-Fort Worth office market for the third quarter of 2009 was down 43 percent compared with the same period a year ago, according to a report by Cushman & Wakefield of Texas Inc. Overall office vacancy rates in Dallas-Fort Worth stood at 23.5 percent for the third quarter.

Cushman & Wakefield's forecast for the DFW office market calls for leasing activity to continue to drop in 2010. While asking rents have decreased by only 2 cents per square foot since December 2008, landlords are expected



Bob Edge
Vice Chairman
Cushman & Wakefield

to lower their asking rates in 2010 as vacancies increase. A lack of funding and demand for office space will also

limit or eliminate speculative construction and development.

"Presently, landlords, developers, lenders and contractors are suffering," says Bob Edge, vice chairman of Cushman & Wakefield of Texas. "However, current conditions benefit tenants by allowing them to lower their costs of occupancy by leveraging hungry landlords."

Still, Cushman & Wakefield analysts project the DFW office market will rebound during the second half of 2010. The report notes positive signs of future growth, citing Texas Instruments' recent announcement of a new analog chip plant in Richardson that could employ up to 1,000 people.

For more details on the Dallas office market, please visit www.cushmanwakefield.com
(Karen Hudgins)

TEXAS JOB MARKETS DOMINATE NATION

According to portfolio.com, four of the nation's top five job markets can be found in the Lone Star State, with Austin leading the way and San Antonio nipping at its heels in second place.

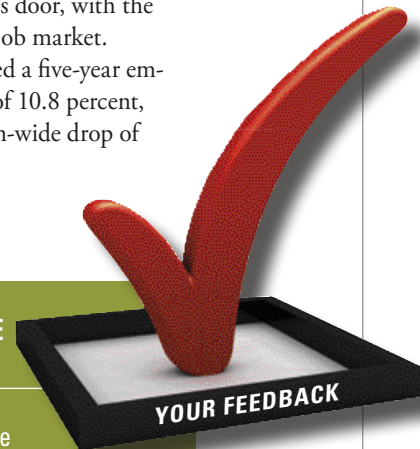
Rounding out the top five are Houston (#4) and Dallas (#5). And El Paso is knocking at the top 10's door, with the country's 11th-ranked job market.

Texas markets posted a five-year employment growth rate of 10.8 percent, compared with a nation-wide drop of 0.7 percent.

(David Bloom)

WERE YOU SCROOGE OR SANTA?

When it comes to the economy and your spending this holiday season, was it "Deck the Halls" or "Bah Humbug"? Take our online survey at www.fiscalnotes.com. We'll share the results in 2010.



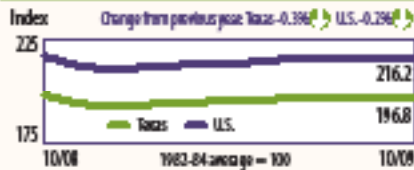
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Texas by the Numbers

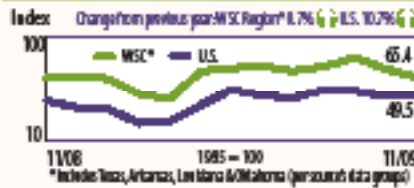
Key Texas Economic Indicators

Between November 2008 and November 2009, the U.S. economy shed about 4.8 million jobs, a 3.5 percent decline. Texas lost 307,200 jobs between October 2008 and October 2009, a 2.9 percent decrease in nonfarm employment. In October 2009, 10.4 million Texans were employed, 41,700 more than in September. Over the last year, Texas added jobs in the educational & health services and government industries.

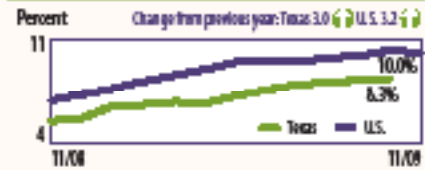
Consumer Price Index



Consumer Confidence Index



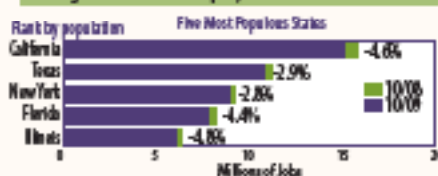
Unemployment Rate



Nonfarm Employment



Change In Nonfarm Employment



State Sales Tax Collections, Retail Establishments



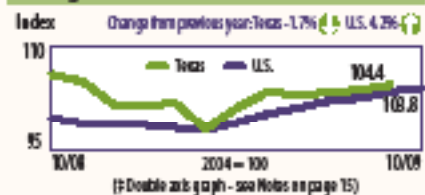
Housing Permits



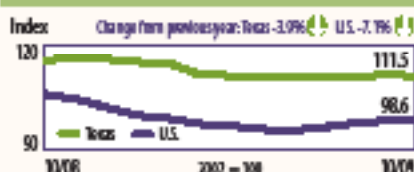
Existing Single-Family Home Sales



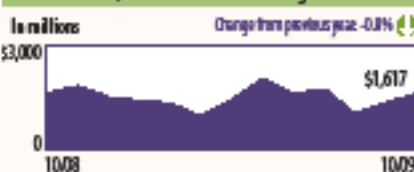
Leading Economic Indicators Index



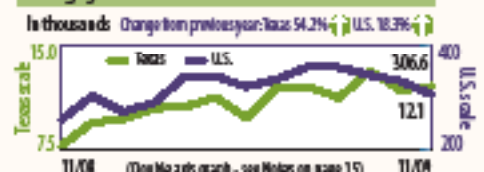
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

Date	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value (Millions)	Value (Millions)	Units	Gasoline (Millions of Gallons)	Diesel	Dollars	Net Value (Millions)	Packages of 20 (Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	21,850.3	22,968.4	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Aug-08	3,069.59	2,655.23	934	982.3	342.5	151,500	3,829.4	80.9
Sept-08	2,605.86	1,994.37	946	1,054.7	248.6	144,900	3,727.2	88.9
Oct-08	2,066.62	1,897.39	925	852.3	377.9	142,300	3,317.6	98.6
Nov-08	1,489.57	1,502.36	899	1,018.0	343.5	137,200	2,862.9	85.3
Dec-08	1,016.88	1,629.54	826	963.2	283.5	140,500	2,941.7	99.3
Jan-09	979.03	1,509.98	701	1,023.2	294.7	131,800	3,022.6	73.0
Feb-09	818.37	1,021.06	574	965.3	291.5	138,200	2,923.8	77.0
Mar-09	1,142.69	1,027.10	445	916.6	281.8	139,600	2,892.3	86.4
Apr-09	1,257.79	994.00	393	1,019.0	305.7	142,700	2,501.8	77.5
May-09	1,487.54	1,009.31	347	989.9	289.8	149,200	2,591.1	77.8
Jun-09	1,724.46	1,088.97	329	1,026.3	291.9	155,000	3,111.4	82.7
Jul-09	1,634.71	1,126.99	342	1,013.6	293.2	153,200	3,071.0	85.6
Aug-09	1,796.21	1,062.01	366	1,025.9	297.6	149,900	3,111.0	126.7
Sept-09	1,697.67	814.70	380	1,021.0	292.0	147,400	3,357.9	36.9
Oct-09	1,714.30		398	961.1	281.8	143,300	2,859.6	76.6
Nov-09			433	991.0	288.4			77.9

November Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance November 1, 2009	\$5,270.9	\$18,549.2	\$23,820.1
Revenue/Expenditures			
Revenue	5,877.7	2,101.0	7,978.7
Expenditures	6,815.7	2,125.0	8,940.7
Net Income (outgo)	\$-938.0	\$-24.0	\$-962.0
Net Interfund Transfers and Investment Transactions	\$-924.9	\$791.8	\$-133.1
Total Transactions	-1,862.9	767.8	-1,095.1
End Cash Balance November 30, 2009²	\$3,408.0	\$19,317.0	\$22,725.0

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund balance includes \$5.6 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue November 2009	Fiscal Year-to-Date Revenue November 2009	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,701.6	\$4,701.1	-13.3%
Oil Production Tax	85.9	242.0	-33.4
Natural Gas Production Tax	12.8	11.4	-98.5
Motor Fuel Taxes	250.9	752.0	-1.5
Motor Vehicle Sales Tax	186.6	625.0	-13.4
Franchise Tax	107.9	179.2	-17.0
Cigarette & Tobacco Taxes	129.1	300.7	-24.4
Alcoholic Beverages Tax	66.3	193.6	1.3
Insurance Companies Tax	29.4	57.4	39.5
Utility Taxes ²	90.9	123.2	-15.4
Inheritance Tax	0.0	-0.1	-118.9
Hotel/Motel Tax	28.1	81.4	-15.6
Other Taxes ³	101.7	133.7	-6.3
Total Tax Collections	\$2,791.2	\$7,400.6	-20.3%
Revenue by Receipt Type			
Tax Collections	\$2,791.2	\$7,400.6	-20.3%
Federal Income	3,354.7	8,803.0	33.8
Interest and Investment Income	63.1	321.4	-30.6
Licenses, fees, permits, fines,	539.8	1,510.3	-10.3
Contributions to Employee Benefits	506.8	1,092.3	9.9
Sales of Goods and Services	31.1	90.7	-9.1
Land Income	43.7	155.8	-55.4
Net Lottery Proceeds ⁴	114.2	415.7	15.8
Other Revenue Sources	534.0	1,828.0	9.5
Total Net Revenue	\$7,978.7	\$21,617.8	0.6%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs, consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. [† Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:

Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics
Consumer Confidence Index: The Conference Board
Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board
Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics
Nonfarm Employment: Texas Workforce Commission
State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts
Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas
Contract Value, Non-Residential Building Construction: McGraw-Hill
Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts
Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated
Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures November 2009	Fiscal Year-to-Date Expenditures November 2009	% Change YTD/YTD
By Object			
Salaries and Wages	\$966.4	\$2,731.3	2.9%
Employee Benefits/Teacher Retirement Contribution	817.0	2,442.2	11.3
Supplies and Materials	77.7	261.1	2.5
Other Expenditures	277.3	910.8	17.4
Public Assistance Payments	3,495.0	10,664.6	23.6
Intergovernmental Payments:			
Foundation School Program Grants	1,742.0	8,328.0	-24.0
Other Public Education Grants	2,362.5	1,389.3	7.3
Grants to Higher Education	109.6	397.5	-2.9
Other Grants	157.4	885.3	32.2
Travel	13.2	41.4	-6.9
Professional Services and Fees	181.4	672.5	17.4
Payment of Interest/Debt Service	27.7	263.5	1.1
Highway Construction and Maintenance	254.0	923.1	-21.2
Capital Outlay	45.3	144.5	16.2
Repairs and Maintenance	55.9	238.2	28.2
Communications and Utilities	37.1	125.3	37.0
Rentals and Leases	20.8	79.1	-4.2
Claims and Judgments	10.5	50.1	129.6
Cost of Goods Sold	28.8	118.6	-53.4
Printing and Reproduction	2.8	12.6	-12.6
Total Net Expenditures	\$8,940.7	\$30,678.8	0.5%
By Function			
General Government			
Executive	\$489.2	\$1,651.9	13.5
Legislative	10.9	36.7	9.0
Judicial	20.7	69.9	10.9
Subtotal	520.8	1,758.4	13.3
Health and Human Services	3,388.0	10,418.0	24.2
Public Safety and Corrections	404.4	1,374.1	12.4
Transportation	455.0	1,654.9	-6.5
Natural Resources/Recreational Services	140.2	505.7	-16.7
Education	3,180.7	12,231.1	-15.7
Regulatory Agencies	30.7	125.0	8.9
Employee Benefits	714.9	2,093.8	12.8
Debt Service—Interest	27.7	263.5	1.1
Capital Outlay	45.3	144.5	16.2
Lottery Winnings Paid ²	33.0	109.8	-15.2
Total Net Expenditures	\$8,940.7	\$30,678.8	0.5%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

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Texas Comptroller of Public Accounts

FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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QUICK RECOVERY

In November 2009, *Forbes* magazine ranked America's 100 largest metropolitan areas on the progress of their recovery from the recession, based on factors including unemployment rates, economic output, foreclosures and home prices and sales. Texas cities dominated the top of the list.

AMERICA'S "FASTEST-RECOVERING" METROS, NOVEMBER 2009

Omaha-Council Bluffs, NE-IA
San Antonio, TX
Austin-Round Rock, TX
Pittsburgh, PA
Harrisburg-Carlisle, PA
Dallas-Fort Worth-Arlington, TX
Rochester, NY
Houston-Sugar Land-Baytown, TX
Raleigh-Cary, NC
Baton Rouge, LA

SOURCE: *FORBES*